TCS/SE/137/2025-26

November 4, 2025

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (East)
Mumbai - 400051
Symbol - TCS

BSE Limited
P. J. Towers,
Dalal Street,
Mumbai - 400001
Scrip Code No. 532540

Dear Sirs,

Sub: Transcript of the Investor Call held on October 31, 2025

In furtherance to our letters dated October 27, 2025, October 30, 2025, and November 1, 2025, and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Investor Call held on October 31, 2025 at 04:00 PM (IST), for your information and records.

The above information is also available on the website of the Company: www.tcs.com.

Thanking you,

Yours faithfully,

For **Tata Consultancy Services Limited**

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Company Secretary
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Encl: As above

Fireside Chat
TCS' AI Data Center Investment and Opportunity
October 31, 2025, 16:00 Hrs IST

Corporate Participants:

Samir Seksaria, *Tata Consultancy Services Ltd* - Chief Financial Officer

Mangesh Sathe, *Tata Consultancy Services Ltd* - Chief Strategy Officer

Deepesh Kiran Nanda, *Subject Matter Expert*

Moderator:

Kawaljeet Saluja, *Kotak Securities Ltd* – Head of Research and Lead Analyst – IT Services

Kawaljeet Saluja: Good afternoon, everyone. I'm Kawaljeet Saluja, Head of Research and Lead IT Analyst at Kotak Institutional Equities. I'll be your host and moderator for this session.

Today, we have with us the Ace team of TCS for a fireside chat on the topic of TCS's AI Data Center Investment and Opportunity. Let me start by introducing the team.

The Gentleman in the center is Samir Seksaria, needs no introduction. He is CFO of TCS. Our next panellist is Mangesh Sathe, who serves as the Chief Strategy Officer at TCS, he also serves as the head of Global Consulting Practice and oversees the M&A function of the company. More recently, he was the CEO of Tata Strategic Management group at Tata Sons, where he supported group Chairman's office and CEO of Group companies in strategy and transformation initiatives.

Our third panellist for today is Deepesh Kiran Nanda, who brings with him over three decades of leadership across technology, energy, and infrastructure. He has led large scale power and digital initiatives from India through Japan and Australia, including senior roles at Tata Power and GE. Deepesh is widely regarded as a thought leader on sustainability, clean energy and the intersection of power and digital transformation.

We'll start the fireside chat, post which we will open the floor for audience Q&A. Do note that this call is only to discuss TCS's Data Center initiatives, so I will request the participants to restrict the questions on those lines.

Okay, let's kick this off. The first question for you, Samir. Why data center? What prompted TCS to get into building co-location data centers, and what are the adjacencies that you have with the core services business?

Samir Seksaria: Absolutely. Great question to start with, Kawal and, if you recall, during our Q2 earnings call, we announced our aspiration to become the world's largest AI-led technology services company. AI and sovereign data centers are a key component to the overall AI value chain. And it provides TCS a unique opportunity to offer an end-to-end solution in this value chain. So, it's not a standalone decision or an isolated decision, but part of the overall five-pillar strategy which we called out during our earnings call. Now, the key driver to the investment is the demand and supply mismatch, and addressing this demand creates a nice niche and an adjacency for TCS, which we believe will give us long-term, committed annuity revenues.

Now, if you look at it from a synergy perspective, we benefit from both front-end synergies as well as back-end synergies, so that is another driver.

Data Center provides a unique opportunity to TCS to deepen its partnership with the various hyperscalers and AI companies. And while driving this efficiency, we also can leverage the One Tata synergies. So, all in all, if we look at TCS's dominant position in the India IT services market, the strong partnerships with global technology companies which we possess, the access to capabilities, and most importantly capital, and the support from Tata companies, which we can look at towards connectivity, green power, infrastructure development, will be the key differentiators. And, then data center forms the core foundation for our overall aspiration to become the world's largest AI-led services company.

Kawaljeet Saluja: Fantastic. That's a great way to start off.

Mangesh Sathe: Just one point I'll add. See, if you look at globally, data center market itself is also expected to see a lot of capital investments over the next decade. And this, I'm not talking only about India, I'm talking across the world, especially US, Europe, etc. One of the other benefits, will also be that our expertise in working in this sector, we will be able to also then provide services related to this sector in other markets as well, because that's also an important element.

So, because a lot of build-out is happening. Which I feel, technology services companies like ours, should participate and accelerate that whole capital investment as well. So that's an added benefit to all the other reasons that, Samir outlined.

Kawaljeet Saluja: So, when you refer to the capabilities that you can take outside India, is it largely the services capability, or would you also be open to asset-heavy business outside India?

Mangesh Sathe: No, I was referring to the services.

Kawaljeet Saluja: Got that and would the investment initially, be largely on co-location side, or are you looking at integration with active infrastructure as well?

Samir Seksaria: Our overall current business plan is to look at only passive data centers. We are not averse to active data centers, but it has capex sensitization, technology refresh considerations. So, any incremental considerations on the active side will be more bespoke commercial arrangements with our anchor customers. So, as it stands, it is more passive.

Kawaljeet Saluja: Mangesh, Samir made an important point that there's a demand-supply mismatch in the Indian markets today. But, when you look at the co-location data center space, the space is heating up with multiple conglomerates announcing a Gigawatt(GW) capacity plans. So how would TCS's approach differentiate itself from the competition, which also seemed to be in a rush to announce the Gigawatt capacity as such?

Mangesh Sathe: I think there are two-three factors here. One, the overall demand itself. So, if you see the current footprint, which is around 1.5 GW, which is installed in the country. What we see from a potential perspective over the next 5 to 7 years, we see this to grow anywhere between 10 to 12 GW, so that's a significant headroom that is kind of available. If I were to add all the plans that have been announced so far, I think there is still a significant headroom available. Given, today the players that are currently in the market, plus, additional players who are planning to come into the market. So, if I add all of that, also still there is a headroom. I don't see any challenge from a demand perspective. The second part would be where is this demand going to come from? If you see the Indian market specifically, I think we are going to probably look at hyperscalers driving a large part of the demand, and we see the same globally. I think the percentages in India would be similar to global or slightly higher, but I think hyperscalers would certainly be one key component.

The second interesting segment that has emerged is the AI companies and AI companies, of course, there are a few which everyone is aware of, but then there are also new companies, new model companies, new application companies in AI who are also scaling up and are also thinking of raising a lot of money globally, and they also need to invest into data centers. And then, of course, there is the private sector and the public sector as well,

Now, why can TCS really garner this demand? If you look at across all these four segments, hyperscalers, AI companies, public sector, and private sector, we are working with all four, either on the global side, or on the India market side and today we have a front-row seat visibility on what those requirements are, right.

And as a company, or anyone wanting a data center, they don't really want to just do a very transactional piece where they're just talking to a data center operator, saying, give me a data center, then speak to somebody else for some other services. They would ideally like somebody to come in and provide, as Samir said, the end-to-end capabilities and offer it to them. We see that as a unique proposition that we can provide compared to some of the competitors that exist in the market.

Kawaljeet Saluja: Okay, that's fascinating and clear as well. Moving to Deepesh, what are the specifications of the planned data center that you have in mind? Would this be, let's say, Tier 3 or Tier 4 data centers? What kind of rack density are you looking at? What kind of cooling infrastructure? And who do you think are the competitors in the market today in India, which are operating those Tier 4 data centers?

Deepesh Nanda: Thank you, Kawaljeet. Taking a cue from what Mangesh mentioned earlier, we are focused on the AI side of the data center. So, if I were to look at the market and I broadly split the market into non-AI and AI, our emphasis is largely going to be on the AI side of the data centers. That being said, it comes with a much higher rack density. So, we're looking at anything greater than 50 kilowatt (kW) per rack, all the way up to 180 kW per rack, and on the upper band, around 370 kW per rack. We should average out at 240 kW per rack. With this comes the impact on cooling. So, these would be heavily skewed towards more liquid cooling. We are looking at upwards of 70% liquid cooling. And that will then reduce our PoE's to anywhere between 1.25 to 1.3, as compared to the current PoE, what you see

in the country, driven by air cooling of 1.45 to as high as 1.6. So, more focused on the AI side, more focused on High rack densities, more focused on more liquid cooling, and hence, our PUEs will be capped between 1.25 and 1.3.

Kawaljeet Saluja: Do you think that you require that kind of high-power density, superheated 240 kW racks? Because for that, essentially, what you would require is Large Language Model training or some use cases around that. Otherwise, those 10 to 12 kW racks can do fine. So, are you basically sensing demand on AI Large Language Model training, for you to support this kind of a capacity build-out?

Deepesh Nanda: That's a great question, and that's the space that we want to occupy. And to answer your question specifically, that's the kind of demand that we are seeing in the early days of the announcement that we've made. The demand is more on the AI side, and with that comes quantum load, concentrated load, which is in, say, 100 MW multiples. So, the answer to the question is yes, there is demand, of that nature from international AI companies. In the Indian market currently, the AI load is in the range of 2-4%. Globally, it's the range of 10-15%. It's the right opportunity for India to get into that AI load servicing, and that's exactly what we'll be catering to in the first phase of the rollout.

Mangesh Sathe: I think as far as, training versus inferencing, I think each company and depending on how their data center footprint is distributed, they are designing basis their own considerations, and latency, and where their markets, demand pools, etc are. We cannot comment

on whether, if training will be more or inferencing will be more. At the end of the day, whether it is inferencing or training, the GPUs will require a certain amount of infrastructure that will need to be supported. And what we are talking about is, creating an infrastructure which should be ready to support those loads, irrespective whether it's training or inferencing.

Kawaljeet Saluja: I'm curious to know Mangesh, is inferencing workloads better supported by edge data centers, or would your large data centers also be effective for inferencing?

Mangesh Sathe: It depends on the use cases that will be there, also who is putting up that capacity. If it is a hyperscaler kind of a capacity, they would ideally want to put it up in a larger data center. Of course, if it is a private enterprise, optimizing its own loads in, for their specific footprint, could be a manufacturing footprint or any other footprint, they will probably design it differently. So, each one will have a different view.

From our perspective, I think our capacities, are not really edge data centers. We are creating the core data centers and that's where our focus will be right now.

Kawaljeet Saluja: Do you hit the ball out of the park by straight away starting off with 1 GW, or Samir, will that tone everyone down with a smaller capacity initially?

Samir Seksaria: Building it at 1GW would require a lot of, many things, not just capital, in terms of availability of infrastructure and everything also. Our plan is to phase it out. It would be in the range of 100 to 200 Megawatt (MW), each pod or phase. And it would be across multiple phases. So, it would be over a period of probably 5 to 7 years, when we'll hit peak capacity.

Kawaljeet Saluja: Let's say for the first 18 to 24 months, 100 to 200 MW, right? How much would it cost to build this data center? And how do you fund it?

Samir Sekaria: Practically, as we had said, in our earnings call, this capacity will be approximately a billion dollars, and it won't be completely funded through TCS's cash war chest. It would be a combination of debt and equity. And the equity could be one or more partners, and we are, currently in advance discussion with a few partners, and in advance discussion with multiple bankers on the debt structuring side.

Kawaljeet Saluja: And just to be clear on the earnings call, Samir, what you essentially said is that 1 GW would cost around say 6 to 7 billion dollars, so when you're talking about 100 to 200 megawatts, it would be in proportion, maybe $600 million to a billion dollars.

Samir Seksaria: Right.

Kawaljeet Saluja: What do you think should be the optimal, debt-equity structure in these kinds of businesses?

Samir Seksaria: We'd not like to call that out, Kawal, but we have a structure in mind. It would be typical of what data centers operate at, but right now, we will be unable to share further details. However, you could assume a similar structure.

Kawaljeet Saluja When you're looking at, equity partnership, would you prefer that now, or would you prefer after maybe 2-3 years, once the capacity is up and running, and the possibility of better valuation, or are you basically looking for equity sourcing, right up front?

Samir Seksaria: It would be a combination. The partners could be just the equity partner, or a technology-cum-equity partnership.

Options are open, we could have a different combination in each phase as well.

Kawaljeet Saluja: Samir, the question which everyone has, on the top of their mind is that such kind of businesses alter the ROE and ROCE profile of TCS, makes the business capital-intensive, etc. What are your thoughts and how would you respond to other those questions and criticisms as well?

Samir Seksaria: Given the size of the strong balance sheet and the surplus funds which we have, this particular investment per se, is not going to be

a significant drag on the TCS balance sheet. It allows us to smoothly navigate the investments which we would require. Anyways, they are going to be phased out, and not the entire investment which you talked about, you mentioned about $600 million to a billion dollars, is not going to be entirely a cash outflow for TCS. So, given that, I don't see it as a major drag, in any of the return ratios. TCS has maintained industry benchmarks in terms of margins, as well as ROE. Yes, it won't get the same ROEs as you would expect from the TCS business, but we are confident we'll be able to maintain industry-leading return ratios.

Kawaljeet Saluja: A question for Deepesh. Let's say you start off today, by what time would the basic shell be ready? How much time does it take to build a power-optimized design, build those racks, and start getting in the revenue streams? And let's say, how much time would it take to sell that capacity? If you can just give a broad indication of the timelines of both the build part and the sale of that capacity, as in when it's ready.

Deepesh Nanda: Thank you. I'll answer your second question first, we are not building any speculative capacity, its build on a firm demand.

And to answer your first question, from the time we have land available, we are targeting completion of an 18-month full construction cycle. So, from start date, when we press the button, land being available, the delivery will happen in 18 months.

Kawaljeet Saluja: It's fascinating Deepesh, that you say that you have a firm demand in place, because when you look at hyperscalers, the way they have been working in India is a little bit different from the developed market experience. In developed markets, you end up contracting even before the groundbreaking day, because the clearances are rather easy. Whereas in India hyperscalers want to identify a spot, a location, but only give a firm contract once all the approvals are in place. What you seem to indicate is that you already have that demand in place, and a firm contract in place. Is that correct?

Deepesh Nanda: I'd say that there is an active interest, there is inbound inquiry, but the way the business planning has been designed is that there is no speculative build-out. The build-out is based against firm demand.

Kawaljeet Saluja: So, effectively, the first revenue stream that you would have, this would be more towards end of FY28-FY29, is that right, Samir?

Samir Seksaria: Technically, you should get that around the FY27-28 mark.

Kawaljeet Saluja: What are your thoughts on the ROE and ROCE profile of this kind of a business? Does it, let's say, can it generate returns which are comfortably above the cost of capital?

Samir Seksaria: Definitely, it would be comfortably above the cost of capital. The IRR we expect, on each of the phases at the project level, is in mid to high teens.

Kawaljeet Saluja: That's interesting and, fascinating as well. Deepesh, have you identified the land parcels and the location of the initial capacity? Are you privy to disclose that? And typically, let's say a Data Center would involve a lot of land clearances, land procurement clearances, civil infrastructure, cabling, electrical substations, there are so many elements involved. Do you intend to build these capabilities in-house, or leverage partners from outside, or leverage the group capabilities? And if you can just give some broad thoughts on execution of the same.

Deepesh Nanda: We're looking at land parcels across all the key areas where data center buildouts are happening, which includes Navi Mumbai, it includes Hyderabad, Bangalore, New Delhi, Pune, as an illustrative case. In terms of how we go about construction and the contracting, all the key items will be contracted. It's a level playing field for everyone. We, of course, have in-house strengths, which will be leveraged, but it'll be available for competitive bidding across the board and that's how we plan to go about, making sure that the business gets the best that the business needs, and that'll be the plan to build out these data centers.

Kawaljeet Saluja: Initially, the contracting phase would focus largely on hyperscalers, or will it be a mix of build-out for both hyperscalers and enterprise workloads?

And you just briefly mentioned about PUE, which I guess you're using air and liquid cooling, which will differ from traditional workloads. In that case, how would the Capex differ from your

traditional data centers, which are normally based on traditional cooling mechanisms?

Deepesh Nanda: To answer your first question, we are looking at large AI load, and that could come from pure play AI players, it could also come from hyperscalers. Not to say that we won't have a play in enterprise and so on, really a combination of offering. In terms of the design of the data center, again, it's built to suit, so if an AI data center has a specific build to suit, there will be a specific corresponding PUE. While the costing will be appropriate to the PUE but so will be the returns equation in terms of the revenue that that type of a data center would attract.

Samir Seksaria: Just to add to it, the capacity would be led by an anchor customer, which could be an AI-led company or a hyperscaler. And, majority of the capacity, if not all, would be led by that, and the incremental capacity which would be available would be available for enterprise or sovereign.

Kawaljeet Saluja: Question for Mangesh, if you look at some of the hyperscalers, they seem to be building out capacities on their own as well. I think AWS does have their capacity of their own. Microsoft has some land parcels. I think somewhere in Pune, I mean, we don't know Google's plan, but Google's also have some similar plans. How do you look at a scenario wherein, let's say these hyperscalers are setting up their own data centers versus working with partners, and how would this dynamic play out in your way?

Mangesh Sathe: Today, if you see other markets also, the same dynamic is already present, where you will have hyperscalers having their own data centers, plus they're working with data center companies, as well. So, I don't think it'll be any different here. From a capacity perspective, I think, especially the larger companies which require multi-megawatt, kind of a footprint, they will always have a scenario where they will have some in-house plus some, contracted data center spaces. And the reasons could be many for doing that kind of a split, so I don't think, that would change here as well.

There are two other factors in India specifically, given, as I told you, the demand outlook that we are seeing, which is, now, where is this demand going to come from? Deepesh and Samir talked about the AI part. Also, if you look at, the total amount of data that gets generated in the country, and amount of that getting processed in the country.

There is a certain ratio that one tracks. So today, India as a country will, be probably somewhere closer to a lower single-digit number, on that. If I take some of my Asian peers, or some of the more leading emerging country players, they will probably be, higher single digits. And then, of course, somebody like U.S, etc, will be in double digits. So, from that perspective, I think data consumption in the country going higher is absolutely a given trend, and I don't think, we need to really validate that.

I think you talked about edge cases, etc., so the amount of stuff that will now need to be processed and the quality of that process also, like the latency that will be involved, cost, I think we have not

covered that part, but, cost of, I would say, data center per unit, will be absolutely a big factor for anyone to consider, right? For hyperscalers, it's a capital allocation plus capacity allocation. For us, it is going to be a factor of what can we create uniquely in the country. So, I think from both supply and demand, there is sufficient room, for us to add value.

Kawaljeet Saluja: Okay, that's a very, very helpful perspective, Mangesh. Maybe a question for Mangesh and Deepesh, both of you. I know interconnect plays a major role in enhancing the stickiness of a data center and, boosting revenues, right? How does the company plan to address this opportunity, and would that be addressed by TCS, or would it be group companies or, someone else would capture that opportunity as such?

Deepesh Nanda: In terms of the topic of interconnect, yes, ours will be a highly interconnected design, both within our own DC network and also cross DC network.

On how we do it, I've answered this earlier, there's a level playing field, and we'll do all that it takes to be absolutely competitive in the market, such that the benefit is retained in the company, and we win market share.

Kawaljeet Saluja: Just a final question from my side, and after that, we will open this up for participants to ask questions. Samir, you're getting into a capital-intensive phase. There also seems to be a greater appetite,

for large M&A. Would it mean that there'll be any changes to capital allocation policy that you have in place?

Samir Seksaria: As I said earlier, we have a strong balance sheet and substantial surplus funds, which we have been sitting on for quite a period of time, and we get beaten on both sides for spending the money or not spending the money.

But coming to the capital allocation perspective, our capital allocation policy has been to return substantial free cash flows back to our shareholders. And if you look at the last 5-6 years, we have been typically returning 80%-100% of our free cash flows. We have, at various points of time, clarified that free cash flows would be after all investments we typically make. Our target will be to maintain the 80%-100% range.

Kawaljeet Saluja: Okay, that's clear. Now we'll open the floor up for participants to ask questions. The first question, which is there in my chat window, let's go with that.

What's the Capex difference between air versus liquid cooling? I guess that's a question for you, Deepesh.

Deepesh Nanda: The capex difference between air and liquid cooling, I'd say it's in the range of a ₹35 to 45 crore mark. We are more towards the 45 crore per MW mark. With the AI data center focused, high on liquid cooling, there'll always be a mix of liquid and air. We'll be in that bracket of 70-30.

And again, the other cost aspect is on Tier 3 versus Tier 4. We'll be in that range of Tier 3 plus, which is the demand that we're seeing currently in the market.

Kawaljeet Saluja: Deepesh, would these 45 crores also include the interest component during the build phase of the data center, or this is excluding interest costs, etc?

Deepesh Nanda: Excluding. This is a capital cost; this is a CapEx investment.

Kawaljeet Saluja: Capital cost. Okay, got that. The other question is that we are seeing Indian telcos target the data center opportunity. They seem to have partnerships with hyperscalers, domestic enterprise, and AI companies, and willing to spend more CapEx. So why compete with them?

Mangesh Sathe: I'll go back to the same piece, right? I would have agreed with this if, let's say, the market growth was, I would say in single digits, or probably early double digits. We are talking about multiple factor growth here, right? So, from that perspective, there is a lot of headroom, and given the substantial capital investments that are required in doing this, I don't think this is a market where one entity can, in a way, dominate the capacity. I feel there is sufficient room for more players to come in. And then, I think all the elements that we outlined in terms of our right to win, or our ability to win in this, makes us, a more attractive company to participate.

Kawaljeet Saluja: Got that. Now, the next question I have in the chat window is that what kind of challenges or pushbacks did you face from the board and within the top management team when the idea of entering this segment was first explored?

Samir Seksaria: I think, as a team, we evaluated it, put it up to the board. The board was receptive enough. Given, as I said, we have been sitting on surplus free cash flows, we have been considered conservative over a period of time. It's a bet which we are taking, and the board was receptive to the same.

Mangesh Sathe: Just to add, I think if you see, it goes in line with what Samir started off saying, which is the whole five-pillar piece for AI, right? So, this is not a standalone investment decision, it was one amongst another proposal that we had taken to the board.

I think it comes as a very core part of our overall aspiration, and I think if we don't invest in this, we'll not be able to meet our aspirations. So, I think this is a very important ingredient.

From that perspective, of course, it also ticks off all the other boxes, it becomes, certainly an attractive proposition.

Kawaljeet Saluja: The next question from the chat window is that, can you elaborate on the tenure of the contracts with the hyperscalers? Is it 9 years plus 6 years of renewal, or is it 6 plus 6 plus 6? Any insight on the tenure of the contract, and if there's any price escalator embedded in these contracts as such?

Samir Seksaria: As we said, we are in the early stages of negotiation, so there is no contracting which has firmed or finalized yet, but as our discussion states, these will be long-term contracts. That's where I said we expect long-term committed annuity revenues.

Kawaljeet Saluja: What is your GTM and cross-selling strategy in the business?

Mangesh Sathe: The go-to market for us, as I had talked about various segments, I think the first two being on the technology partner side, which is the hyperscalers and AI companies, and then there is the enterprise side, which is on the public sector and private sector.

On the hyperscaler and AI companies, these are more core partnership conversations. Where, our focus is to really discuss with each of these companies to see what we can shape together, and how can we support their aspiration in this market, or other parts of the world as well. In terms of enterprise, we anyways are the leading system integration technology services company servicing the India geography.

I think we are already in all those right Boardroom, CEO room, CXO rooms, where these conversations are happening today. So now our ability to shape those will become better, because we'll be able to provide that entire end-to-end piece. So, I think on both those parts, we are well covered.

And as we progress, we'll see what additional capabilities will be needed to support this further.

Kawaljeet Saluja: And on that part, Mangesh, are the buyers of the decision makers involved in data centers completely different, let's say, from the hyperscalers with whom we have a partnership on the cloud side? How do you build those cross-connects and synergize so as to derive the maximum value from this venture?

Mangesh Sathe: So, sorry, I didn't follow.

Kawaljeet Saluja: Let's say on the hyperscaler side, people who take the decision on data center, colo, would be completely different from the relationships that you would have on the partnership, and go to market on the services side. There are two different worlds, so how do you make the two meet?

Mangesh Sathe: I think all the companies that we are talking to and all the partners we are talking to, I think our partnerships are pretty deep and long-term. So, this element is absolutely being facilitated by the organization right from the leadership level, where they are facilitating these connects, so it's not just about transactional conversation where I'm going to somebody who I normally deal with for a service or a deal. It's being done in a very strategic way at the leadership level, our leadership, as well as their leadership level. We are not seeing any challenges on that aspect as well. In fact, they are very forthcoming on that.

Kawaljeet Saluja: The next question in the chat window is that, are there plans to enter the cloud segment, or convert your co-location capacity into cloud in the future?

Would you assume that cloud-center, will be a more-sticky business versus colo, and will it help, differentiate a business model versus other players that are also simply building co-location capacity? If so, do you have any expertise in the cloud segments and the approach going forward.

Mangesh Sathe: We have already launched our sovereign cloud business for India and a few other parts of the world. The short answer is yes. I think as we scale up our sovereign cloud business, we will be leveraging the infrastructure that we are building, even for that business as well.

And the cloud services that we are offering, both in terms of AI as well as the non-AI part, are things that we will be scaling up to, both public sector as well as private sector. So, yes.

Kawaljeet Saluja: Got that. And the next question is how big, in your view, is the AI training and inferencing data center market in India? And will the services business of yours also get a boost as you provide infra related to the same? That's one of the questions in the chat window.

So, the question is that how big is the AI inferencing and training data center market in India? How much would that grow by? And would that provide you with any edge in your AI services business as such?

Mangesh Sathe: If I look at it in two parts, One, if I see, as of today, as well as how do we see it going further. Of course, as of today, the market is small, given the nature of the services that we are talking about. But what

we are talking about are services that we expect to come in the future, basis both the requirements, directly consumed by the enterprises, or, by the AI companies and the hyperscaler companies.

I think we talked about a few percentages earlier, so I think globally, if you see around 10-15% of the DC capacity overall goes with the AI, and that part is only going to keep increasing, as more GPUs replace CPUs.

In our case, I think we expect a similar number as we go ahead, in terms of how much capacity is from a direct AI load that will get consumed. See, there are two other factors. See, one also is a factor where a lot of GPUs will also be replacing CPUs on a longer-term basis, that's another piece that we might see. That's one part that we need to factor in. And then the third part from a sovereign perspective as well, we will see AI capacities that we will need to deploy to serve the sovereign needs as well. So, I think given all these three, we feel the percentages will go up.

Kawaljeet Saluja: Okay, that's reasonably clear. The next question is, does Tata Communication have any role to play in the interconnect, which you offer in the data center? And do you see them as a part of your GTM, as and when the capacity comes up?

Deepesh Nanda: One of the vendors, in addition to the other vendors that we will, release RFPs to. So, the answer is that, yes, they'll be in the mix of the vendors that will give us networking solutions.

Kawaljeet Saluja: Deepesh and Mangesh, can you just help us, with the unit economics of the data center business? What would a revenue per MW look like, how much EBITDA can be generated per MW, the payback period, etc. And second is that let's say when you think about revenue streams, what are the potential revenue streams that are possible in the initial phase?

I guess there'll be capacity revenue, power revenue, interconnect revenues, but if you can just, provide your perspective on it, along with unit economics, if you are ready for it, I think it's too early, but nonetheless, I think that's the question that has come up in the chat window.

Deepesh Nanda: Okay, too early, but yes, that'll be the model. We're looking at a relatively high EBITDA margin business. And in terms of, what will be the contracting structure, typically there is a rental yield. And then there is margin on the power supply that will be made. Networking is typically pass-through.

Kawaljeet Saluja: Typically, Deepesh, what would be the useful life, in your view, of various assets that go into your data center? So, at one end of the spectrum, you would have a building or a shell which would have a life of 30-odd years. On the other hand, you'd have, powers and cables which may have a different life. A battery or UPS may have a very short life. So, when I basically look at the useful life of a data center, what is the duration, and various components' useful life?

Deepesh Nanda: We can get into design specifics, but I'll give a broad answer that we're looking at a 15-year point before any major overhaul happens. So, it's not that life comes to an end at the 15th year. Because if you look at the power gear, the power gear runs for at least 25 years. These are normally governed by the number of operating hours. So, the year terminology is a bit misleading. It's on the operating hours. The amount of redundancy that's built into these plants also makes sure that equipment's are run to that ratio of the redundancy, and hence the life in terms of calendar years tends to be much higher than the operating number of hours. So, if you're looking at an answer in terms of years, it's upwards of 15 years.

Kawaljeet Saluja: And Deepesh, if you look at Equinix, let's say their big point of differentiation is the points of interconnect and the software fabric they have, and the moat they have built around, that aspect as such. So, let's say within TCS, you have mentioned in various ways your differentiation, in multiple questions. If you have to summarize differentiation for TCS overall versus, let's say, some of the global players, like an Equinix, or maybe a Digital Realty, what would those be?

Deepesh Nanda: I think, we have a right to win in this space. We have the relationships that was very well explained by Mangesh. We are in the ecosystem. We understand power, we understand water cooling solutions, we understand networking. In India, as such, all these industries are quite mature.

We are in the infra business as a group. There is enough infrastructure experience that's available. And then, the approach

in terms of how execution would happen, we would look at safety, that's our number one priority. Absolutely safe operations, everybody goes home.

Number two is in terms of quality. The benchmarks that we're looking, in terms of all the process quality, we're having good discussions with most long lead vendors in terms of how you benchmark, their process quality and so on.

Third is execution, in terms of delivery. Once we get the first two right, which is safety and quality, 70% of our focus is on execution. And last is cost. This order is very important for us, that we are going safety first, quality second, execution third, and fourth is cost.

Mangesh Sathe: If I just add one or two points here, I think, from anyone setting up data center capacities, I'm not talking about the physical infrastructure, I'm saying, once the physical is done, then I need to put in all the chips, etc. See, it requires a lot of integration services and most of these, large companies that we are talking, hyperscalers or AI companies, may not have requisite capacities here, the resources here to do that. From TCS's perspective, we can absolutely help them get the data center up and running. What you said earlier around other players, we will be able to do that very, very effectively. You know, that's one very important part.

Second part, from a differentiation perspective, would be that if you look at the market, while of course, we are talking about a certain growth rate, we still have to create that market. Market making is very important in this case, right? So, we will be partnering from a TCS side, we will be partnering with these companies to also support them create that market.

Now, creation of that market would mean, what kind of applications will be needed in a certain enterprise, or, in a public sector, what's the kind of offering will you need? And there, it will always be a combination of a cloud, or services, or some other elements of applications that we'll need to take. So, I think our ability to really shape that becomes a big differentiator when a partner is talking to us, because then we will be working with them to make the market as well. So, market making and then the services to accelerate the deployment also become very important capabilities to differentiate.

Kawaljeet Saluja: The next question from the chat window that I have is that I think somewhere in the answers, it was mentioned that you would make some margin on power? But I guess most of the contracts, the way it's structured in India, more or less, power is a pass-through for hyperscalers. So, Deepesh when you said that you'll be able to make some money or some margin on power business, where does that belief come from?

Deepesh Nanda: This is to do with the mix of the power that we would offer. It would be high on green energy, and hence the cost of power that you see today and the mix of power versus the cost of power, and the mix that we will offer in the cost of power, there is enough margin for us to make, and yet, be competitive. Because the green power is at a much lower delta, even on a round-the-clock basis, as compared to the current prices on the grid.

Kawaljeet Saluja: Right. But wouldn't that be baked into the hyperscaler agreement on the power mix between green versus the normal coal-fired power plants?

Deepesh Nanda: Early days, I've just given you a kind of directional answer, that we'll be extremely competitive on the cost of electricity, and that gives us a right to earn a higher margin.

Kawaljeet Saluja: Right. Let's say, even on the renewables side, in many cases, what ends up happening is that there's a wheeling charge that you have to pay to the power distributor. Does that leave you enough savings, if you go for renewables in the process?

Deepesh Nanda: As landed costs to the data center, at my GIS point, all things being equal, the mix that we are looking at in terms of RE versus Grid power will be more competitive, in terms of the Levelized Cost of Electricity, (LCOE) will be lower, all things considered, as compared to what we are seeing currently.

Kawaljeet Saluja: That's very helpful. The second last question is that globally, power is a major bottleneck in terms of data center build-out. Is that a bottleneck in India as, with any potential bottlenecks that could delay your capacity rollouts?

Deepesh Nanda: That's a great question, and I say that with a lot of pride being here in India, because over the years, our grids have become much more reliable and hence, when you compare with the example that was

compared to. There's a lot of back-of-the-meter happening in the Western world, because the grid connectivity is not available, as it is available in India. While in India, though, there is much higher demand, but then the situation in India, on a comparative basis, is much better than what's available overseas right now. And hence that runaway market that you see in the Western markets, on the back of the meter, that's not the situation in India.

Number two, we are seeing the designing of the data centers. We're looking at dual connections coming in from, say, two different substations. In addition to that, we have captive power being made available. And also, newer technologies with the advent of large-scale battery energy storage systems, it gives us a much, higher quality power solution at a much lower cost on an LCOE basis as compared to the Western market, which makes India as an attractive market when compared to the Western markets on a power availability, quality, and LCOE basis.

Kawaljeet Saluja: That's a very fascinating point of view, Deepesh. Okay, I was not keen to ask the last question, but there have been 8 versions of the same question. Do you intend to get into GPU as a service?

Deepesh Nanda: I think this was answered earlier by Samir, that there's a passive layer, and I think the takeaway from this call is that we are all in, all hands-on deck, and we're very deep in terms of understanding the MEP build-out, the timeline of that, the safety, quality, delivery cost. And then, we are open to looking at the active layer. We are open to looking at the active layer. But once we get the first part right, in terms of making sure that execution is flawless, then the day will

come, when we will start graduating towards the active layer, we are open to all conversations at this point.

Samir Seksaria: Reiterating what I had said earlier, incremental active data center considerations will be dependent on bespoke commercial negotiations with our anchor customers. It won't be an incremental add-on to what we are planning on the passive data center side.

Kawaljeet Saluja: Fantastic. Samir, Mangesh, Deepesh, you have been quite patient. It's very early days, but you have answered a raft of questions. I really appreciate your honest answers. Thanks a lot for that insightful session. Thanks a lot, to all the participants for your interest. Until the next webinar, stay connected, stay well, everyone. Have a good day.

Samir Seksaria
Mangesh Sathe
Deepesh Nanda: Thank you everyone.

Kawaljeet Saluja: Thank you, everyone. Take care, bye.

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.